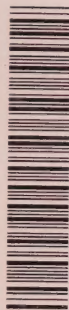


CAL
MT76
- A66



National Energy
Board

Office national
de l'énergie



3 1761 11637920 7

Reasons for Decision

Coral Energy Canada Inc.

RHW-2-2005

February 2006

Modifications to the FT-RAM Pilot

National Energy Board

Reasons for Decision

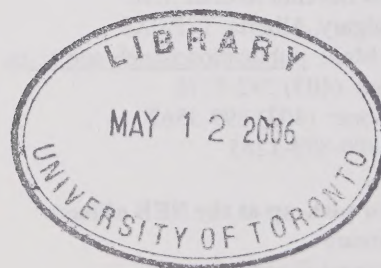
In the Matter of

Coral Energy Canada Inc.

Application for Approval of Modifications to the
Firm Transportation Risk Alleviation
Mechanism (FT-RAM) Pilot for the
TransCanada PipeLines Limited Mainline

RHW-2-2005

February 2006



Permission to Reproduce

Materials may be reproduced for personal, educational and/or non-profit activities, in part or in whole and by any means, without charge or further permission from the National Energy Board, provided that due diligence is exercised in ensuring the accuracy of the information reproduced; that the National Energy Board is identified as the source institution; and that the reproduction is not represented as an official version of the information reproduced, nor as having been made in affiliation with, or with the endorsement of the National Energy Board.

For permission to reproduce the information in this publication for commercial redistribution, please
e-mail: info@neb-one.gc.ca

Autorisation de reproduction

Le contenu de cette publication peut être reproduit à des fins personnelles, éducatives et/ou sans but lucratif, en tout ou en partie et par quelque moyen que ce soit, sans frais et sans autre permission de l'Office national de l'énergie, pourvu qu'une diligence raisonnable soit exercée afin d'assurer l'exactitude de l'information reproduite, que l'Office national de l'énergie soit mentionné comme organisme source et que la reproduction ne soit présentée ni comme une version officielle ni comme une copie ayant été faite en collaboration avec l'Office national de l'énergie ou avec son consentement.

Pour obtenir l'autorisation de reproduire l'information contenue dans cette publication à des fins commerciales, faire parvenir un courriel à : info@neb-one.gc.ca

© Her Majesty the Queen in Right of Canada 2006 as represented by the National Energy Board

Cat No. NE22-1/2006-1E
ISBN 0-662-42512-X

This report is published separately in both official languages.

Copies are available on request from:

The Publications Office
National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta, T2P 0X8
E-Mail: publications@neb-one.gc.ca
Fax: (403) 292-5576
Phone: (403) 299-3562
1-800-899-1265

For pick-up at the NEB office:

Library
Ground Floor

Printed in Canada

© Sa Majesté la Reine du Chef du Canada 2006 représentée par l'Office national de l'énergie

N° de cat. NE22-1/2006-1F
ISBN 0-662-71042-8

Ce rapport est publié séparément dans les deux langues officielles.

Demandes d'exemplaires :

Bureau des publications
Office national de l'énergie
444, Septième Avenue S.-O.
Calgary (Alberta) T2P 0X8
Courrier électronique : publications@neb-one.gc.ca
Télécopieur : (403) 292-5576
Téléphone : (403) 299-3562
1-800-899-1265

Des exemplaires sont également disponibles à la bibliothèque de l'Office
(rez-de-chaussée)

Imprimé au Canada

Table of Contents

List of Figures.....	i
List of Appendices.....	i
Abbreviations	ii
Recital and Appearances.....	iii
Glossary of Terms	iv
1. Introduction.....	1
1.1 Background.....	1
1.2 Overview of the Application and the Proceeding	4
1.3 List of Issues	4
2. Coral's Proposal.....	5
2.1 Threshold Issue	5
2.2 Potential Impacts of Coral's Proposal.....	7
3. Disposition	20

List of Figures

1-1	Example of FT Contracts Eligible for FT-RAM Credits on the TransCanada Mainline.....	2
-----	--	---

List of Appendices

I.	Excerpt from page 17 of the Board's RH-1-2001 Reasons for Decision	21
II.	Toll Order TG-1-2006.....	22

Abbreviations

Act	<i>The National Energy Board Act</i>
Board or NEB	The National Energy Board
BP	British Petroleum Canada Energy Company
CAPP	The Canadian Association of Petroleum Producers
CDA	Central Delivery Area
Coral	Coral Energy Canada Inc.
Enbridge	Enbridge Gas Distribution Inc.
FT	Firm Transportation
FT Make-Up Credit	Firm Transportation Make-Up Credit
FT-RAM	Firm Transportation Risk Alleviation Mechanism
Gaz Métro	Société en commandite Gaz Métro
GJ/d	Gigajoules per day
GLGT	Great Lakes Gas Transmission System
Guidelines for Negotiated Settlements	The Board's "Revised Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs" dated 12 June 2002
IGUA	The Industrial Gas Users Association
IT	Interruptible Transportation
Mainline	TransCanada Mainline Natural Gas Distribution System
Nexen	Nexen Marketing
Petro-Canada	Petro-Canada Oil and Gas
STFT	Short-Term Firm Transportation
STS	Storage Transportation Service
SWDA	Southwestern Delivery Area
Tenaska	Tenaska Marketing Canada
TransCanada	TransCanada PipeLines Limited
TQM	Trans Québec & Maritimes Pipeline, Inc.
TTF	Tolls Task Force
UDC	Unutilized or unabsorbed demand charges
Union	Union Gas Limited
U.S.	United States of America

Recital and Appearances

IN THE MATTER OF the *National Energy Board Act* (Act) and the regulations made thereunder; and

IN THE MATTER OF an Application filed by Coral Energy Canada Inc. (Coral) pursuant to section 59 of the Act for an Order to approve modifications to the FT-RAM Pilot for the TransCanada PipeLines Limited (TransCanada) Mainline.

IN THE MATTER OF Hearing Order RHW-2-2005;

Heard in Calgary, Alberta on 16 January 2006.

BEFORE:

E. Quarshie	Presiding Member
J.S. Bulger	Member
C.L. Dybwad	Member

Appearances

Company

M.P. Stauff	Coral Energy Canada Inc.
C.K. Yates, Q.C.	TransCanada PipeLines Limited
P.C.P. Thompson, Q.C.	Industrial Gas Users Association
B. Roth	Enbridge Gas Distribution Inc.
R.M. Zanin	National Energy Board

Glossary of Terms

Deferral Account	For regulatory purposes, a type of account generally used to record revenues and expenses held in abeyance for future disposition by a regulatory body.
Demand Charge	A monthly charge which normally covers the fixed costs of a pipeline. A demand charge is based on the daily contracted volume and is payable regardless of volumes transported.
FT-RAM	A service enhancement on the TransCanada Mainline which allows credits to be applied against a shipper's monthly Interruptible Transportation service account, based on any unutilized demand charges from that shipper's Firm Transportation contracts.
FT-RAM Pilot	A limited-term trial of the FT-RAM service enhancement for the TransCanada Mainline, originally for the period 1 November 2004 to 31 October 2005, then extended for an additional year to 31 October 2006.
Guidelines for Negotiated Settlements	The Board's "Revised Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs" dated 12 June 2002
Load Factor	The ratio of the average requirement to the maximum requirement for the same period, usually expressed over a year and as a percentage.
Long Haul	A contract whose primary receipt point originates at Empress, Alberta or in Saskatchewan on the TransCanada Mainline.
RH-1-2001	NEB Proceeding on TransCanada's 2001 and 2002 Tolls Application
Short Haul	A contract originating at locations other than Empress or a Saskatchewan receipt point on the TransCanada Mainline.
Storage Transportation Service	A service which allows FT contract holders, who have their own or contracted access to storage facilities, to move gas in and out of storage to meet seasonal demands while still retaining a high load factor.
Tariff	The terms and conditions under which the services of a pipeline are offered or provided, including the tolls, the rules and regulations, and the practices relating to specific services.

Toll	The price charged by a pipeline company for the use of its facilities.
Tolls Task Force	A joint industry task force initiated by TransCanada. Its membership is comprised of a wide cross-section of the natural gas industry, including representatives of the producing, marketing, brokering and pipeline segments of the industry, provincial governments and local distribution and industrial end-use customers.
TTF Resolution 02.2004	TransCanada Tolls Task Force unopposed resolution dated 6 May 2004 which supports the implementation of the FT-RAM Pilot for the period 1 November 2004 to 31 October 2005.
TTF Resolution 20.2005	TransCanada Tolls Task Force unopposed resolution dated 3 August 2005 which supports the extension of the FT-RAM pilot for the period 1 November 2005 to 31 October 2006.
Unabsorbed Demand Charges or Unutilized Demand Charges	Demand charges associated with contracted volumes not transported.



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761116379207>

Chapter 1

Introduction

1.1 Background

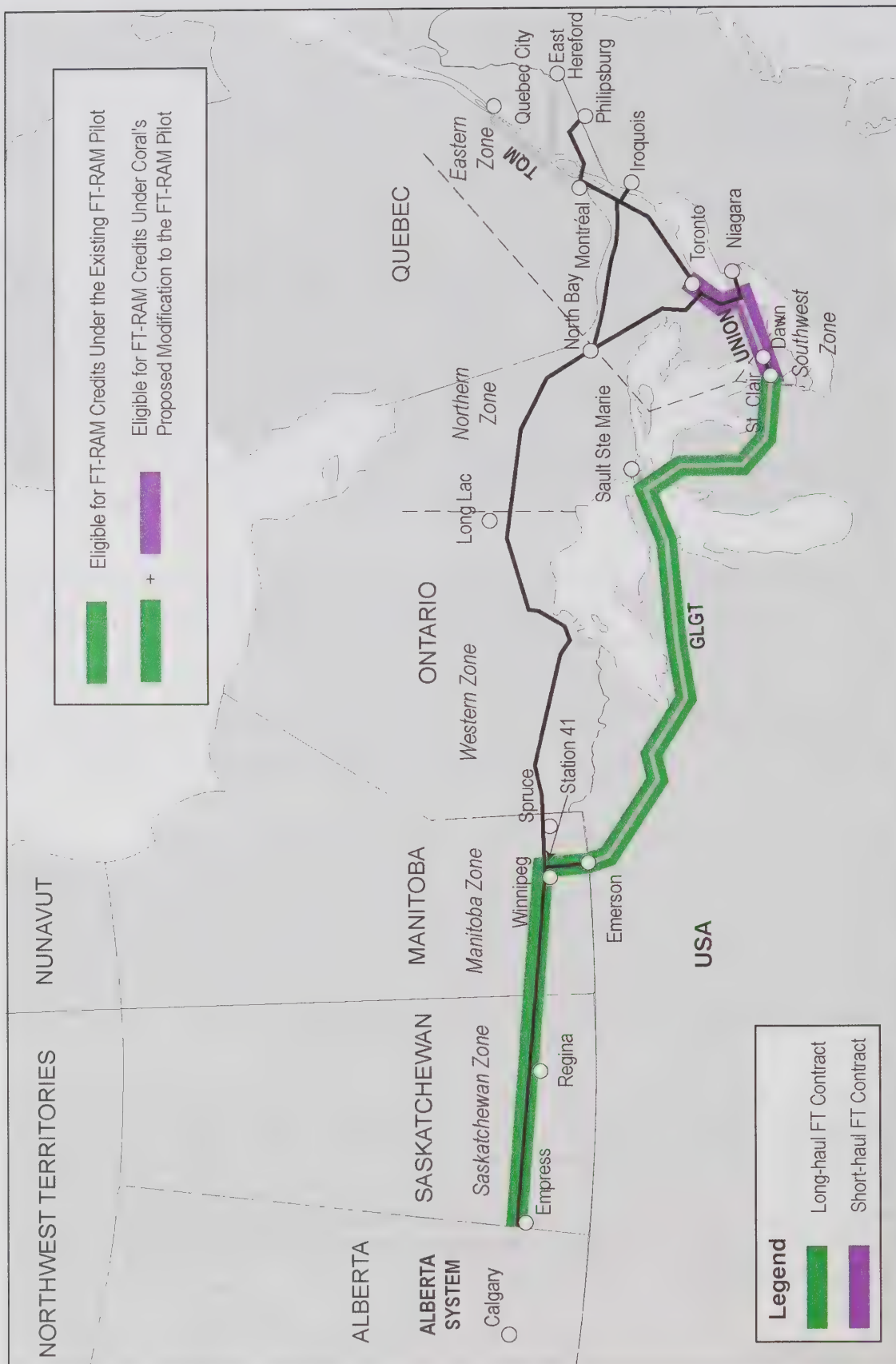
TransCanada PipeLines Limited (TransCanada) owns and operates the TransCanada Mainline Natural Gas Transmission System (Mainline), which is a high-pressure natural gas transmission system that extends from the Alberta border across Saskatchewan, Manitoba, Ontario, through a portion of Quebec and connects to various downstream Canadian and international pipelines. The Mainline's integrated system includes contractual entitlements to transport natural gas on the Great Lakes Gas Transmission System (GLGT) from Emerson, Manitoba to St. Clair, Michigan; on the Union Gas System (Union) from Dawn, Ontario to Parkway, Ontario and to Kirkwall, Ontario; and on the Trans Quebec & Maritimes Pipeline, Inc. (TQM) from Saint-Lazare, Quebec to either Saint-Nicolas, Quebec or East Hereford, Quebec. Figure 1-1 shows a map of the Mainline's integrated system.

Coral Energy Canada Inc. (Coral) is an affiliate of Coral Energy, which operates throughout North America as part of the global Shell Trading network and provides a comprehensive portfolio of energy-related products and services associated with wholesale natural gas and power marketing and trading. From its start-up in the mid-1990s, Coral has become one of the largest wholesale energy marketers and traders in North America. Its customers include utilities, gas distribution companies, municipalities, rural electrical cooperatives, independent power producers, industrial customers, and commercial customers. Through its contribution to the total revenue of the TransCanada Mainline, Coral currently is one of the Mainline's largest shippers.

As part of its 2001 and 2002 Tolls and Tariff application, which was based on the terms of the Mainline Service and Pricing Settlement, TransCanada proposed a new service enhancement known as FT Make-Up Credits. Under the FT Make-up Credit proposal, the aggregate Firm Transportation (FT) service Demand Charge associated with each FT shipper's aggregate unutilized FT capacity rights in each month would be credited towards that FT shipper's aggregate Interruptible Transportation (IT) service invoice at the end of each month. Unutilized FT Make-Up Credits would not rollover to subsequent months. In its RH-1-2001 Reasons for Decision, the Board approved the FT Make-Up Credit mechanism.

The FT Make-Up Credit mechanism was used by a large segment of shippers during calendar year 2002. The mechanism was subsequently found to be flawed in that the then IT floor price at 80% of the FT equivalent toll allowed parties to utilize more than the equivalent volume distance of the contract and to avoid some of the 100% FT equivalent toll. A review of the FT Make-Up Credit mechanism was undertaken and a modified service enhancement known as FT-RAM, or Firm Transportation Risk Alleviation Mechanism, was proposed to the TransCanada Mainline Tolls Task Force (TTF).

Figure 1-1
Examples of FT Contracts Eligible for FT-RAM Credits on the TransCanada Mainline



The original FT-RAM proposal was filed with the Board as unopposed TTF Resolution 02.2004, and approved by the Board on 15 July 2004 for a one-year pilot starting on 1 November 2004 and finishing on 31 October 2005.

On 3 August 2005, the TTF passed unopposed Resolution 20.2005 extending the FT-RAM Pilot for an additional year from 1 November 2005 to 31 October 2006. In its supporting application to the Board, TransCanada stated that the extension of the Pilot would allow it to collect more than a full year of data and to perform further analysis on the impacts of the Pilot on all Mainline shippers for review at the TTF after April 2006. On 6 September 2005, the Board approved the applied-for extension.

Under FT-RAM, credits are applied against a shipper's monthly IT service account, based on any unutilized demand charges from that shipper's FT contracts. These credits are given only for long-haul FT contracts, which are those whose primary receipt points originate in Alberta and Saskatchewan.

The objective of FT-RAM is to mitigate unutilized demand charges and to provide flexibility in order to give shippers confidence in contracting for long-haul, firm transportation service on TransCanada. The flexibility envisaged would provide parallel services to enhancements on other pipeline systems such as monthly balancing provisions, path flexibility, and recovery of unutilized demand charges.

As the motivation behind the FT-RAM service enhancement was to promote the continuation of and incremental contracting for long-haul FT service, the enhancement was restricted to long-haul FT contracts during the initial pilot phase. An examination of the appropriateness for short-haul service was to be undertaken after the initial pilot phase.

An initial TTF review of the program was contemplated for January 2005 to consider whether any further modifications to the Pilot would be required. A second review at the TTF was to be held after June 2005 to determine whether FT-RAM should continue beyond October 2005. The reviews were to consider, among other items, changes in contracting patterns, revenue streams, and operational issues.

On 9 December 2005, TransCanada filed with the Board a summary of the TTF reviews on the FT-RAM Pilot conducted in January 2005 and June 2005. The January 2005 review examined impacts on nominations administration, operations, FT-RAM credit utilization, FT long-haul contract utilization and contracting behavior by revenue. The information available at the time of the January 2005 review did not reveal issues with or provide any reason to adjust the program, and no changes to the FT-RAM pilot program were proposed or made. The second review in June 2005 examined impacts on FT-RAM credit utilization, FT long-haul contracting behavior, FT long-haul contract utilization and contracting behavior by revenue. Again, no changes to the program were proposed by TransCanada.

In its 9 December 2005 filing, TransCanada noted that pursuant to TTF Resolution 20.2005 and the Board's approval of the one-year extension to the Pilot, TransCanada anticipates conducting a further review of FT-RAM after April 2006 and providing a summary of that review to the Board within two months of completion.

1.2 Overview of the Application and the Proceeding

On 30 September 2005, Coral applied to the Board for approval of modifications to the FT-RAM Pilot to be effective 1 November 2005. In its application, Coral proposed that the existing FT-RAM Pilot be expanded to include short-haul FT contracts in limited circumstances where the same shipper holds a long-haul contract that delivers to the same location as the receipt point of the short-haul FT contract. Figure 1-1 provides examples of the types of contracts eligible for both the existing pilot and for Coral's proposal. Coral proposed that the modification remain in effect until the expiry of the existing FT-RAM Pilot.

On 7 October 2005, the Board sought views from interested parties on the appropriate process and associated timelines that should be used to deal with Coral's application. Submissions were received from the Industrial Gas Users Association (IGUA), Gaz Métro, Nexen Marketing (Nexen), TransCanada, Enbridge Gas Distribution Inc. (Enbridge), the Canadian Association of Petroleum Producers (CAPP) and Union Gas Limited (Union).

On 8 November 2005, the Board issued Hearing Order RHW-2-2005, indicating that in an effort to expedite the matter, it would convene a written public hearing followed by oral argument.

1.3 List of Issues

In its letter to Coral dated 8 November 2005, the Board noted that in addition to the proposal set out by Coral, certain parties had suggested that the Board expand its examination of Coral's proposal to include other firm short-haul services such as Storage Transportation Service (STS). The Board decided, however, that it would not at that time consider the proposals advanced by other parties.

In Hearing Order RHW-2-2005 issued on 8 November 2005, the Board identified, but did not limit itself to, the following issue for discussion in the proceeding:

1. The appropriateness of Coral's proposal for modification of the existing FT-RAM Pilot for the TransCanada Mainline.

Chapter 2

Coral's Proposal

2.1 Threshold Issue

During final argument, certain parties suggested that Coral's application was either an attempt to vary a Board-approved settlement or an attempt to abrogate a pre-existing agreement among TTF members. In this context, it was suggested that it would be inappropriate for the Board to approve any modifications to the existing FT-RAM Pilot until the terms and conditions underlying TTF Resolutions 02.2004 and 20.2005 were fulfilled. The most notable areas of concern were provisions in the original Resolutions which i) restricted the Pilot to long-haul contracts and, ii) established that an impact report would be filed by TransCanada after April 2006. The following section sets out the positions of parties and the views of the Board with respect to these issues.

Positions of Parties

Industrial Gas Users Association

IGUA submitted that the FT-RAM Pilot, which was supported on two occasions by unopposed TTF resolutions, amounts to a settlement under the Board's "Revised Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs" (Guidelines for Negotiated Settlements). In relation to this argument, IGUA submitted that the relief being requested by Coral would force the Board to interfere with and override the provisions of a Board-approved settlement pertaining to the FT-RAM Pilot project.

IGUA also argued that the parameters of the TTF Resolutions do not include an extension to short-hauls, but do include a further TTF review of impacts on all shippers before an extension of the existing mechanism is to be considered.

IGUA suggested that the criteria the Board applies to motions for review and variance require the applicant to show a material change in circumstance since the original decision was rendered or to show some sort of error in the original decision. As such, there is a heavy onus on an applicant to vary a Board-approved order, and in IGUA's view, Coral has not met this burden. IGUA stated that the Board retains the ability to override an unopposed resolution, but submitted that the Board should be reluctant to do so, particularly when considering an add-on to what is a temporary measure.

IGUA urged the Board to let the pilot project mechanism operate in accordance with the parameters reflected in the Board-approved TTF resolutions. In IGUA's view, no changes to the duration or other features of the existing pilot should be considered before the impact study contemplated by the Board-approved resolution has been completed and reviewed after April 2006.

Enbridge Gas Distribution Inc.

Enbridge submitted that Coral's application was an attempt by Coral to have the Board assist Coral in abrogating an agreement among members of TransCanada's TTF. Enbridge described the agreement as a pair of TTF resolutions (i.e., Resolutions 02.2004 and 20.2005) which first established and then extended a pilot project that was intended as an enhancement to long-haul FT service.

Enbridge noted that TTF Resolution 02.2004 set out an examination of the appropriateness of short-haul service after the initial pilot phase, and highlighted that the reason for restricting short-haul from the original pilot was because FT-RAM was designed to promote the continued and incremental contracting for long-haul FT service.

Enbridge noted that TTF Resolution 20.2005 extended the Pilot to 31 October 2006 to allow TransCanada to collect more than a full year of data and to perform analysis after April 2006 on the impacts of the Pilot on all Mainline shippers. A further result of this extension was that the examination of FT-RAM short-haul service would not occur until after 31 October 2006. Enbridge is of the view that Coral's application is premature in light of the terms of the two TTF resolutions which comprise the agreement among TTF members.

TransCanada PipeLines Limited

TransCanada asserted that FT-RAM came before the Board as a request for approval of a TTF resolution and an application for an amendment to the IT toll schedule; it did not come to the Board under the Board's Guidelines for Negotiated Settlements and does not constitute an agreement. TransCanada identified Coral's application as an opposed TTF resolution and noted that any party at the TTF can bring issues to the Board which it has not managed to resolve at the TTF.

Finally, TransCanada submitted that the Board should not decide the case on the basis of alleged amendment to a settlement or alleged abrogation of agreement; rather, the Board should decide the case on the merits of the FT-RAM modification proposal.

Coral's Response to the Positions of Parties

Coral concurred with TransCanada's view that TTF resolutions are not settlements, and supported TransCanada's submissions in this regard.

Coral submitted that under the TTF Procedures, an unopposed resolution does not involve unanimous consent; rather, an unopposed resolution means that parties may vote against it, but agree not to go to the Board to complain about it. TTF Resolutions 02.2004 and 20.2005 were unopposed resolutions.

Coral's proposal to modify the FT-RAM Pilot was brought before the TTF and resulted in an opposed resolution. The TTF procedures explicitly state that in the case of an opposed resolution, a TTF member will be entitled to request the NEB to resolve the matter, which was the course of action subsequently pursued by Coral.

Coral agreed with TransCanada's submission that the Board should consider the application on its merits rather than on procedural grounds.

Views of the Board

When approaching its decision on Coral's application, the Board decided to first examine whether there was any reason to deny the application on the grounds that it would violate a formal settlement or alter a TTF resolution in such a way as to cause irreparable harm. Accordingly, the Board carefully considered the submissions of parties in this respect.

TTF Resolutions 02.2004 and 20.2005 were not filed with the Board as settlements pursuant to the Guidelines for Negotiated Settlements. Therefore the Board is of the view that Coral's application does not attempt to inappropriately vary or modify the terms of a settlement.

With respect to Enbridge's submission that Coral is attempting to abrogate an agreement among TTF members, the Board notes that Coral's application came to the Board as the result of the TTF not being able to achieve consensus on Coral's proposal. The Board further notes that the TTF Procedures set out that in the case of an opposed resolution, any party has the right to seek adjudication by the Board.

The Board notes that when an issue is brought forward for its adjudication, the Board has a responsibility to exercise its authority. In some cases, the Board's final decision on a matter may result in changes or alterations to existing circumstances.

The Board is of the view that Coral acted appropriately by first taking its enhancement proposal to the TTF, then not having achieved consensus, was justified in bringing its proposal as an application to the Board. The Board finds there is no reason to deny the application on the grounds that it would violate a formal settlement or alter a TTF resolution in such a way as to cause irreparable harm.

2.2 Potential Impacts of Coral's Proposal

Throughout the proceeding, parties presented differing views on the impacts, whether beneficial or detrimental, of Coral's proposal on specific shipper groups and on the Mainline as a whole. The following section outlines these views and the evidence used to support the views.

Coral's Position

Coral submitted that the original FT-RAM Pilot, which was intended to encourage long-haul contracts on the Mainline, has been an unmitigated success and has allowed shippers to effectively optimize their long-haul FT contracts while encouraging new long-haul shipping.

Coral noted that in recent years, marketers and producers such as Coral, Nexen, BP, Tenaska and Petro-Canada have become increasingly important in terms of their total share of long-haul capacity on the Mainline. Coral further noted that because these shippers are not captive to the Mainline, FT contract levels and throughput levels (and therefore the level of FT tolls), are now largely a function of how valuable FT service is from the perspective of these shippers.

Coral suggested that the toll reduction which occurred on the Mainline during the initial pilot period was in large part attributable to incremental long-haul contracting during the 2004-2005 contract year. In Coral's view, the ability for long-haul FT shippers to mitigate their potential unutilized demand charges through the FT-RAM Pilot was an important factor for parties, including itself, in their decisions to contract for new long-haul service.

Coral asserted that its proposed modifications to the FT-RAM Pilot preserve the principal intent of the Pilot to encourage long-haul contracts. Through Coral's proposed modifications, the FT-RAM Pilot would be expanded to include short-haul contracts in the situation where a shipper holds both long-haul and short-haul contracts with a common point, arguably holding a continuous long-haul contract in two pieces or segments. Examples would include contracts from Empress to St. Clair or Dawn and then from St. Clair or Dawn to the Central Delivery Area (CDA), or contracts into and out of North Bay Junction (see Figure 1-1).

Coral believes that the proposed modifications would encourage new long-haul contracts to points on the Mainline system from which existing and new short-haul contracts originate. Coral further submitted that the inclusion of the proposed modifications in the extended FT-RAM Pilot would allow the market to evaluate the long-term benefits of a more comprehensive risk alleviation mechanism and would encourage new long-haul contracts as well as renewal of existing contracts.

Coral stated that it was not aware of any negative impacts on individual shippers, or on the Mainline system as a whole, from the proposed modifications to the FT-RAM Pilot. In Coral's view, the proposed modifications would spur on incremental long-haul contracts, which in turn would contribute to a continued downward pressure on Mainline tolls.

Positions of Other Parties

Enbridge Gas Distribution Inc.

Enbridge observed that RAM credits provide shippers that operate at less than 100% load factor the opportunity to mitigate unabsorbed demand charges without incurring the additional cost of storage. In contrast, Enbridge stated that it must incur the additional costs of storage and short-haul transportation in order to operate its portfolio of upstream transportation capacity at nearly 100% load factor. Because of its requirement to operate at a high load factor, Enbridge

asserted that it has very little opportunity to derive a benefit from the opportunity to earn FT-RAM credits on long-haul transportation.

Enbridge submitted that in the absence of RAM credits, any capacity left unutilized by shippers would be offered by TransCanada as discretionary services, and the revenues from discretionary services would be credited against the cost of service to provide a benefit to all shippers. In Enbridge's view, it is not clear if the FT-RAM service provides additional benefits to the entire TransCanada system or results in a transfer of existing benefits from all shippers to those that can utilize RAM credits. As the sponsor of the language of the last paragraph of TTF Resolution 20.2005 that conditions the extension of the FT-RAM Pilot on TransCanada collecting further data and performing "further analysis on the impacts of the pilot on all mainline shippers", Enbridge is of the belief this analysis should be completed prior to making any modification to the FT-RAM Pilot.

The Industrial Gas Users Association

IGUA's analysis of changes in Mainline throughput from 2004 to 2005 led it to the conclusion that the vast majority of incremental volumes were shipped via short-term firm transportation (STFT) and IT, as opposed to FT. In IGUA's view, these results suggest that the availability of the FT-RAM Pilot had little impact on shipper contracting decisions for the 2004/2005 contract year. For the winter of 2006, IGUA noted that TransCanada was able to sell virtually all remaining spare capacity downstream of station 41 (see Figure 1-1), but was unable to determine which contracts were renewals versus new incremental contracts.

IGUA submitted that the extent to which the increases in FT volumes can be attributed to the implementation of the FT-RAM Pilot on 1 November 2004 is unknown and could be determined only if every shipper with a firm contract that started on 1 November 2004 were to be surveyed on whether the FT-RAM Pilot had influenced its contracting decision. While the FT-RAM Pilot may have been a factor influencing shipper contracting behaviour, IGUA is of the view that there were probably a number of factors which influenced shipper contracting practices for the 2004-2005 contract year. These include:

- The reduction in the Mainline's tolls in 2005, making contracting on TransCanada an economic choice compared to alternatives;
- Growth in the Eastern Canadian and Eastern U.S. markets;
- The tightening supply of capacity available for interruptible and short-term firm transportation service, making reliance on those services much riskier than several years ago;
- The likely increased cost of biddable IT service in circumstances where the pipeline is effectively full; and,
- The introduction of FT-RAM on 1 November 2004.

IGUA suggested that the impact of the FT-RAM Pilot on shipper contracting decisions is not fully known, and will not be known, until information on the contracting results for the 2005-2006 season is taken into account. Accordingly, IGUA is of the view that it would be improper to consider modifying the FT-RAM provisions before TransCanada has completed and

presented its review of the FT-RAM Pilot after April 2006. Further, IGUA submitted that it would be inappropriate for the Board to assume that the existing FT-RAM mechanism would be extended past 31 October 2006. IGUA cautioned the Board against making any decisions which would prejudice the TTF's future consideration of this matter after it has received the impact study.

IGUA noted that TransCanada's 2005 forecast for FT-RAM credits was \$140 million. IGUA submitted that had that sum not been credited to the users of FT-RAM service, and assuming the same gas flows had occurred (which IGUA acknowledges may not be what would have otherwise been the case), the \$140 million would have accumulated in TransCanada's Miscellaneous Revenue Deferral Account as a credit against the 2006 tolls. It is IGUA's belief that this amount has been foregone for the benefit of the whole TransCanada shipper community.

IGUA recognized that the FT-RAM credit program is available to all Mainline shippers, but suggested that only some of these shippers are able to utilize FT-RAM credits. Shippers such as large volume end-users and eastern Canadian local distribution companies tend to use all, or virtually all, of their FT contract demand, thereby not generating unutilized demand charges that could be applied as FT-RAM credits against IT volumes.

While certain shippers who tend to operate at close to 100% load factor are less likely to utilize FT-RAM credits, IGUA noted that the mechanism is at least available to them. In contrast, IGUA's analysis of current FT contracts suggested that Coral's proposal likely would only benefit one group of Mainline shippers – the producer-marketers – which include Canadian Natural Resources Limited, Coral Energy, EnCana Corporation, Husky Energy and Nexen. IGUA submitted that approving the proposed FT-RAM modifications would constitute a transfer of discretionary revenue credits to the benefit of only five shippers instead of accumulating in TransCanada's Miscellaneous Revenue Deferral Account to the benefit of all Mainline shippers.

IGUA also submitted that Coral's application is a proposal to modify a measure which is interim, and that the Board should not be contemplating modifications to a proposal scheduled to expire shortly, or before it has been approved for extension. In considering the limited window of time within which Coral's proposal could run (e.g., 1 April 2006 to 31 October 2006), and assuming that the FT-RAM mechanism will not extend past 31 October 2006, IGUA was of the view that Coral's proposal can have no impact on FT long-haul contracting. IGUA further noted that the promotion of FT long-haul contracts was the underlying rationale for the mechanism in the first place.

IGUA also noted that Coral's proposal appears to involve segmentation, an issue yet to be adequately resolved among TransCanada's stakeholders.

Union Gas Limited

Union submitted that the FT-RAM Pilot was an initiative designed to optimize the use of the Mainline during a period of significant and sustained Mainline decontracting.

Union noted that the market situation today is much different from the situation which existed when FT-RAM was initiated. TransCanada's Mainline is no longer underutilized and is experiencing significant demand for long-haul and short-haul transportation to the eastern market

areas. Union is of the view that it would be premature to now modify or enhance the Pilot because the goal it was designed to accomplish has already been obtained by market forces.

Union submitted that the primary reason for long-haul re-contracting on the Mainline was a change in market fundamentals. Union asserted that the current market trend is to value TransCanada's long-haul transportation to Dawn above the regulated cost of transportation inclusive of fuel charges. Union noted that a number of long-haul contracts to Dawn (commencing 1 November 2005) are for terms longer than one year, suggesting that these shippers are willing to accept the risk of holding such contracts even if FT-RAM is not extended past 31 October 2006. Union further noted that short-haul transportation away from Dawn is now fully subscribed, indicating that shippers are willing to accept the risk of unabsorbed demand charges on short-haul contracts despite the absence of the FT-RAM enhancements being sought by Coral.

With this in mind, Union submitted that the FT-RAM Pilot probably played only a minor role, if any, in shippers' decisions to contract long-haul transportation. Union is of the view that when market dynamics are robust, there is little risk associated with holding transportation contracts given the positive market value of the contractual asset itself. In support of its position, Union noted Coral's acknowledgement that a causal link between FT-RAM and re-contracting cannot be made and that several factors may play a role in contracting decisions. Union also noted TransCanada's acknowledgement that there are many factors which affect contracting behaviour.

While highlighting that market conditions have changed from the date when the decision was made to implement the FT-RAM Pilot, Union is nonetheless willing to see the Pilot through to completion to determine what true benefits it has provided to the entire TransCanada system. With respect to Coral's proposal, however, Union is of the belief that no enhancements to the Pilot are required at the present time to increase utilization, given that the Mainline is operating at close to capacity. Union further submitted that any analysis of the benefits and costs of the FT-RAM Pilot should not be distorted by the introduction of new program parameters part way through the Pilot.

Union submitted that Coral's proposed enhancements represent a piecemeal attempt to introduce limited concepts of segmentation to the Mainline. Union noted that segmentation is not permitted under TransCanada's tariff and cautioned against the implementation of selective and limited aspects of segmentation without a full and thorough examination of the implications on the Mainline.

Union noted that TransCanada collects revenues from the sale of IT on its system and that these revenues accrue to the benefit of all FT shippers. It is Union's belief, however, that Coral's enhancements would be counterproductive because they would decrease the opportunity for the system to realize discretionary revenues through the resale of IT. Instead, Coral's proposal would provide only a few select shippers with use of capacity which otherwise might be available to generate discretionary revenues from IT shippers.

Union argued against Coral's assertion that without FT-RAM (whether the original program or Coral's modification), IT volumes would be significantly less. In light of the significant changes in market conditions, Union submitted that it is more likely that available IT space would

continue to be contracted because market economics and price signals clearly value the transportation capacity above the regulated cost of service. Furthermore, given the currently high levels of utilization on the Mainline, Union finds it difficult to see how enhancing the FT-RAM Pilot would induce additional long-haul contracting to the benefit of all shippers.

Gaz Métro

Gaz Métro submitted that the recent contracting of new capacity on the Mainline is not the result of the FT-RAM Pilot, but the result of strong growth in demand in Eastern Canada and in the U.S. market. Gaz Métro noted that the existing FT-RAM mechanism seems to be of particular interest to marketers, noting that nearly three-quarters of the new volumes contracted since October 2004 are held by Nexen, BP and Coral.

Gaz Métro suggested that FT-RAM might be contributing to increased volatility of fuel gas ratios on the Mainline since November 2004. In Gaz Métro's opinion, the potential repercussions of this should be assessed in TransCanada's upcoming report on FT-RAM.

Gaz Métro noted that it uses all of its FT capacity and thus cannot benefit from credits from the current FT-RAM program nor the extension as proposed by Coral. Gaz Métro is concerned that it will have to pay for a tariff amendment that benefits only a small number of users, but is financially supported by all toll payers, and in particular, by distribution companies.

Gaz Métro suggested that its position might be different if Coral's proposal was extended to include Storage Transportation Service (STS). Gaz Métro submitted that STS is highly utilized by distribution companies to balance their franchises and provides a benefit to almost all Mainline shippers by optimizing system use. If FT-RAM was expanded to include STS, distributors could mitigate unutilized demand charges resulting from partial use of STS contracts by obtaining credits applicable to IT. Gaz Métro noted that STS meets the criteria of Coral's proposal, in that STS is a short-haul service tied to a long-haul FT service.

Finally, Gaz Métro submitted that because the FT-RAM program is relatively recent, it would be preferable to wait for TransCanada's next report to determine the Pilot's actual impact, including any impacts on fuel gas ratios, prior to expanding the program to include short-haul FT contracts. In the interim, Gaz Métro suggested that parties could discuss the possibility of expanding the service to include STS, which would create a more uniform and more equitable service that meets the needs of a greater number of users.

TransCanada PipeLines Limited

At the outset of its argument, TransCanada stated that it was not advocating any particular result; however, as the owner and operator of the Mainline, TransCanada is very interested in any suggestions for changes to its tariff.

TransCanada noted that the Board's mandate in this proceeding is to make a decision with respect to Coral's proposal, and not with respect to the issues of FT-RAM or STS. TransCanada also clarified that it will file a summary of its next TTF Review of the FT-RAM Pilot sometime after April 2006.

TransCanada submitted that Coral's proposal is conceptually consistent with the FT-RAM Pilot, thus, there is at least conceptual merit to the suggestion that the modifications are justified.

While understanding the differing positions of several Mainline stakeholders, TransCanada found the elevated emotions in this case to be somewhat surprising, in the context of a pilot program that is temporary and nearing completion, and in the context of financial ramifications which appear to be minimal in the overall scheme of gas, markets and transportation.

The Canadian Association of Petroleum Producers

The Canadian Association of Petroleum Producers (CAPP) asserted that firm service demand charges of one-year or greater are a significant commitment for any shipper. CAPP further submitted that any enhancement, tool or attribute of FT service that allows a shipper to mitigate unutilized demand charges is positive by reducing the risk associated with holding FT capacity and furthers the objective of encouraging FT contracting on TransCanada.

Letters of Comment

The Board received letters of comment from Nexen, Petro-Canada Oil and Gas (Petro-Canada) and Tenaska Marketing Canada (Tenaska) with respect to Coral's application. By their nature, letters of comment cannot be tested; accordingly, they may not be granted the same weight as tested evidence in informing the Board's decision. Summaries of the letters of comment follow.

Nexen stated that it is one of the largest shippers on the TransCanada Mainline, with its firm service contracts accounting for almost 14% of the total contracted capacity on the Mainline. Nexen submitted that firm service demand charges of one year or greater are a large commitment for any shipper and that any enhancement or tool that allows a shipper to mitigate unutilized demand charges is positive.

Nexen noted that it had anticipated Coral's proposed modification to FT-RAM coming into effect in 2005-2006 when it decided to take firm service from Empress to Union SWDA for 249,321 GJ/d, a quantity which roughly matches the short haul service of 254,758 GJ/d already held by Nexen. While the anticipated modification to FT-RAM was not the only reason for Nexen making this business decision, Nexen submitted that it certainly added to the justification for entering into a firm transportation commitment.

Petro-Canada described itself as a shipper on the Mainline and a large industrial consumer of natural gas at its refining facilities in the Eastern Zone. Petro-Canada sees a growing need for transportation services that add variety and flexibility on the Mainline to meet changing supply and demand conditions in the Eastern Zone. Petro-Canada is of the belief that approval of Coral's application would further encourage firm transportation contracting, both long-haul and short-haul, and provide shippers with another mechanism to manage transportation cost risk while remaining flexible to meet the demand of end-use markets.

Tenaska stated that it holds firm capacity on the Mainline and has a direct interest in Coral's application. Tenaska submitted that FT-RAM is an important factor in the decision process to contract for new FT capacity and/or renew existing FT contracts. In its view, the proposed

modifications to the existing FT-RAM Pilot should encourage additional FT contracting and/or renewal of existing long-haul and short-haul FT contracts.

Coral's Response to the Positions of Other Parties and the Letters of Comment

With respect to assertions that Coral's proposal should be rejected because it benefits only a subset of Mainline shippers, Coral pointed out that there is no rule or principle that proposed changes to TransCanada's tariff must be demonstrated to benefit all shippers, or any threshold number of shippers. In support of its position, Coral referred to page 17 of the Board's RH-1-2001 Reasons for Decision (see Appendix I) where the Board stated it would be unreasonable and impractical to require a pipeline to offer only those services that could be utilized by all shippers to the same extent.

In response to suggestions that FT-RAM had little impact on recent increases in FT Mainline contracting, Coral reemphasized that the FT-RAM mechanism was a significant factor in its decision to contract for nearly 300,000 GJ/day of FT long-haul capacity on the Mainline. For further support, Coral pointed to Nexen's submission that it had signed up for over 750,000 GJ/day of FT capacity and that the FT-RAM mechanism had factored into its decision to do so. Coral also noted that the shippers who support its application were responsible for over 75% of all new FT capacity contracted between November 2004 and December 2005. While acknowledging that a number of factors likely have contributed to the high level of contracting currently enjoyed by the Mainline, Coral was steadfast in its belief that the FT-RAM mechanism was a significant contributor to this outcome.

With respect to Union's argument that changed market fundamentals were the primary driver behind increased contracting on the Mainline, Coral discounted the historical monthly values upon which this hypothesis was based as not actually supporting Union's position. Furthermore, Coral argued that these numbers are not meaningful because historical numbers are of limited interest to shippers considering new FT transportation.

Coral responded to concerns that the existing FT-RAM Pilot results in a transfer of existing benefits from all shippers to those that can utilize RAM credits, particularly with respect to the reduced potential for miscellaneous discretionary revenues derived from the sale of IT.

With respect to IGUA's submission that the system has given up \$140 million due to the payout of FT-RAM credits, Coral submitted that there is in fact no loss of revenue. Coral explained that if the FT-RAM crediting mechanism were not available, shippers would never have taken the \$140 million worth of FT-RAM-related IT service, so there is no foregone revenue as a result of the FT-RAM program.

Coral also responded to Enbridge's suggestion that in the absence of shipper flexibility measures, such as FT-RAM and diversions, capacity held and paid for by shippers who are unable to use 100% of their entitlements can be sold again by TransCanada as discretionary services such as IT and STFT. Revenues from these discretionary service sales would then be used to reduce the cost of service and provide a benefit to all shippers. Coral explained that in the absence of FT-RAM, this type of scenario would not endure because the high cost of unutilized capacity would induce shippers to reduce their entitlements to the point where they operated at essentially

a 100% load factor. In support of this, Coral pointed to the period between 2001 and October 2004 when no FT-RAM was in place. During this timeframe, unutilized capacity was negligible, so there was in fact no unutilized FT capacity for TransCanada to resell for the benefit of all shippers. Coral submitted that rather than robbing shippers of IT and STFT revenues derived from resale of unutilized FT capacity, which were never really available, the increased shipper flexibility provided by FT-RAM has made it economically attractive for new shippers to contract for capacity that was formerly not justifiable.

In response to concerns about modifying the FT-RAM mechanism prior to the completion of the ongoing pilot, Coral asserted that there is no basis for suggesting that the proposed modifications would interfere with or compromise the ongoing evaluation process. From an evaluation perspective, Coral submitted that the only change that would result from approval of the proposed modifications is that a new and distinct set of measurements and data would be made available relating to the new FT contracts that would be included in the program.

Coral further submitted that the volumes and volume-distance units associated with these additional contracts likely would be small, and the level of FT-RAM activity in relation to them may be minor relative to the activity under the Pilot as a whole. Coral maintained that whatever information is ultimately gathered concerning the operation of the mechanism in relation to those additional contracts would be distinct from, and would not affect in any way, the information that would continue to be gathered concerning the operation of the mechanism as it relates to the contracts included in the existing pilot. In Coral's view, the only result of enlarging slightly the class of "FT-RAM eligible" FT contracts would be to generate more and better information on the effects of the underlying mechanism on shipper behavior.

Assuming no flows on eligible contracts for the period 1 April 2006 to 31 October 2006, Coral calculated that the maximum additional FT-RAM credits under its proposal would be in the order of \$9.8 million. Coral submitted that a more realistic estimate would assume some flow of gas. As a proxy for this gas flow, Coral examined the first seven months of the Pilot, where the unutilized long-haul FT averaged approximately 11%. If a similar level of unutilized FT is realized for the short-haul component of segmented long-haul contracts for the period 1 April 2006 to 31 October 2006, Coral submitted that a more realistic expected value of the FT-RAM credits would be approximately \$1 million. By comparison, Coral suggested that the forecast credits for the entire system would be in the order of \$150 million for the 2005-2006 period. Coral later emphasized that while the amount of available credits under the proposal are small, the overall economic benefits are significant for shippers who would take advantage of the mechanism.

Coral responded to suggestions that its proposal could have little to no effect within the projected timeframe because the FT capacity out of Dawn is fully subscribed. Coral noted that there is or will be available capacity downstream of North Bay Junction, and that the proposed modifications would make segmented contracts through that point much more attractive than they are now. Coral further pointed out that current holders of FT contracts into and out of Dawn and St. Clair will face renewal decisions within a few months, and the approval or non-approval of the modification may be a factor in their renewal decisions.

Coral attempted to respond to what it perceived as confusion around its use of the word “segmented” and the concept of “segmentation”. In its application, Coral used the term “segmented contracts” to refer to transportation arrangements involving two separate contractual transportation legs through a common intermediate point. Coral submitted that these types of arrangements only recently became part of the contracting landscape on the Mainline with the approval of the Southwest Zone and the North Bay Junction point. Coral further submitted that both the Southwest Zone and North Bay Junction were designed to be intermediate points on the system that would offer various advantages to shippers and make TransCanada more competitive.

Coral argued that there is another way in which the term “segmentation” is sometimes used in the U.S., and suggested that perhaps it is this interpretation which is causing concern for certain parties. Coral went on to explain that in the U.S., segmentation involves shippers with long-haul contracts being entitled to operate those contracts in segments or chunks by nominating partial path movements. Coral maintained that this concept has nothing to do with the kind of segmented contracts envisioned in its application.

In response to Gaz Métro’s concern that the FT-RAM may be having a negative impact on the system by making fuel ratios more volatile, Coral submitted that fuel consumption is a function of physical flows on the system that is unrelated to contracts or service.

Finally, Coral addressed a sentiment held by some parties that unless it can conclusively show that FT-RAM has made them better off by inducing new FT contracts to reduce their tolls, its proposal has to be rejected. In Coral’s view, the proper test is not whether every shipper will be better off with the modification, but whether in aggregate or on average shippers are better off. Coral believes that its proposal will clearly benefit at least some of the shippers, and has a reasonable chance of benefiting everybody by attracting new FT service to the system. Coral also asserted that its proposal would not adversely affect the pipeline nor would it result in unjust discrimination.

Views of the Board

The Board acknowledges that since the introduction of the FT-RAM Pilot on 1 November 2004, FT contracting levels on the Mainline have improved to the degree where some segments of the system are now fully contracted. While Coral asserts that the FT-RAM Pilot has had a significant effect on the increased contracting levels, evidence supporting this hypothesis remains inconclusive. Nonetheless, the Board acknowledges the submissions of both Nexen and Coral that the existing FT-RAM Pilot and the proposed modifications factored into their recent decisions to contract FT capacity on the Mainline. Ultimately, the Board is of the view that a number of factors, including FT-RAM, have the potential to contribute to changes in FT contracting on the Mainline.

The Board supports the goal of the original Pilot to motivate the retention and new contracting of FT, and is of the view that the proposed enhancement is conceptually consistent with that goal. The Board

recognizes that due to the current high levels of system utilization, there is limited opportunity for additional contracting during the term of the Pilot. However, if the proposed enhancement were to result in any incremental contracting on the system, this could benefit all system users through lower tolls.

The Board acknowledges the submissions of certain parties that only a subset of the shipper population, notably the producer-marketers, are currently positioned to utilize FT-RAM credits under Coral's proposal. The Board notes that this same subset of the shipper population also has an increasingly significant ability to impact Mainline revenues, yet by the nature of their business, are not captive to the Mainline.

If service on the Mainline is not viewed as an economically favorable option, producer-marketers will readily seek alternatives. The Board is of the view that in order to keep the Mainline competitive and attractive to this important segment of the shipper population, it may be necessary to make certain service and system changes of the type being proposed by Coral. The Board is also of the view that FT-RAM and Coral's proposed enhancement reduce the risk of contracting FT, thereby making FT more attractive. Ultimately, the greater the Mainline's ability to retain and attract shippers, the greater the benefit to the entire system through increased contracting and lower tolls.

In considering whether it is necessary for Coral's proposal to benefit all system users, the Board refers to page 17 of its RH-1-2001 Decision (see Appendix I) wherein it discusses proposed new service enhancements. As in that case, the Board recognizes that certain FT shippers may be in a better position than others to make use of the provisions contained within Coral's proposal. The Board notes that the varying ability of shippers to utilize a service offering is not unique to the proposed modifications, as exemplified by the differing abilities of shippers to make use of diversions on the Mainline. In addition, shippers make contracting decisions which are favorable to them and seek alternatives if the economic outcomes are unfavorable. The Board reiterates that with a complex, modern pipeline system and tariff, it would be unreasonable and impractical to require a pipeline to offer only those services that could be used by all shippers to the same extent. The Board is of the view that Coral's proposed enhancement to the FT-RAM Pilot is not discriminatory because it is available to all FT shippers who commit to or already hold eligible long-haul and short-haul contracts.

While acknowledging that some potential may exist for reduced miscellaneous discretionary revenue, the Board was not presented with compelling evidence that Coral's proposal would result in significant negative impacts on any individual shipper or on the system as a whole. The Board is of the view that the magnitude of any potential negative

impact is likely small, due to the small number of eligible contracts and the limited timeframe within which the Pilot still has to run. The Board notes that the projected credits for the contracts affected by Coral's proposal are estimated to total approximately \$1 million for the duration of the Pilot. Due to the current high level of contracted capacity on the system and the strong market fundamentals, the Board also views the potential for current shippers to release capacity for IT resale (and credit the system with discretionary revenues) to be limited.

The Board is sympathetic to the views of those parties who submitted that the Pilot should be allowed to run its course, and that no modifications should be made until after the results of the next impact review have been prepared and analyzed. Further, despite Coral's assertions to the contrary, the Board remains concerned with the potential for Coral's proposal to contaminate the results or the impact assessment of the ongoing FT-RAM Pilot. In the Board's view, however, because the total amount of credits is expected to be small, implementation of Coral's proposal is unlikely to appreciably change the results of the original Pilot. Finally, the Board recognizes that integrating Coral's proposal into the ongoing pilot now would allow the enhancement to be assessed in tandem with the existing pilot when parties consider whether to extend FT-RAM on a permanent basis.

The Board acknowledges Gaz Métro's submission that FT-RAM should be applied to STS, but reiterates the Board's decision at the outset of this proceeding to not consider at this time any proposals other than the one put forward by Coral in its application. That being said, the Board encourages parties to continue to explore with the TTF options such as the one contained within Coral's proposal or the extension to STS contemplated by Gaz Métro. Should resolution not be possible through collaboration at the TTF, the Board reminds parties that it remains prepared to consider any applications brought forward for adjudication.

The Board notes that despite the inextricable linkage between the existing FT-RAM Pilot and Coral's proposal, the Board is not making any decisions at this time on the merits of FT-RAM. The Board's views and decision in this matter are strictly confined to the period from the release of this decision to 31 October 2006.

The Board understands that TransCanada will present another impact review for the FT-RAM Pilot after April 2006. That review will ultimately inform parties in their decision on whether to make FT-RAM permanent. The Board expects that the decision on the future of FT-RAM will be taken by the TTF; however, should the TTF be unable to resolve this issue and a party or parties bring(s) it forward to the Board for resolution, the Board will expect to see clear evidence as to the degree to which FT-RAM has directly affected FT contracting. The Board notes

that the two reports provided to date have not directly addressed the extent to which the Pilot is achieving its primary goal of encouraging FT retention and contracting on the Mainline.

Decision:

The Board approves Coral's proposed modification to the FT-RAM Pilot, as described in Coral's 30 September 2005 application.

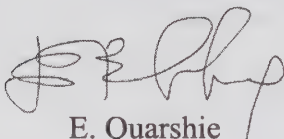
The proposed modification will become effective 1 April 2006 and terminate on 31 October 2006.

TransCanada is directed to modify its Mainline Transportation Tariff to reflect this decision, then file the amended Tariff for the Board's approval.

Chapter 3

Disposition


The foregoing chapters together with Order TG-1-2006 constitute our Reasons for Decision with respect to Coral's application for modification to the existing FT-RAM Pilot heard by the Board in the RHW-2-2005 proceeding.



E. Quarshie
Presiding Member



J.S. Bulger
Member



C.L. Dybwad
Member

Calgary, Alberta
February 2006

Appendix I

Excerpt from page 17 of the Board's RH-1-2001 Reasons for Decision

Views of the Board

TransCanada currently operates its pipeline transmission business in a North American environment that has evolved to include greater competition. The continuing viability of Canadian pipelines during this evolutionary time is a matter of great interest to the Board. In this context, it is important, if older pipeline systems are to remain viable, that they have the opportunity and take action to retain their firm shippers and optimize utilization of their pipeline systems.

In this instance, the Board agrees with TransCanada that the proposed new services should give additional value to FT contracts and provide customers with increased flexibility of operation. In addition, the Board notes the benefits stemming from the cost-effective nature and timely implementation anticipated for these proposed service enhancements.

While the Board recognizes that certain FT shippers may be in a better position than others to make maximum use of the FT Make-Up and AOS Credits, the Board is satisfied that all FT shippers will have an opportunity to access these credits, either directly or through creative management of their gas portfolios. Furthermore, the varying ability of shippers to utilize a service offered in a pipeline's tariff is not unique to these new services. For example, while diversions are available to all FT shippers (as a means to facilitate the full benefit of their FT capacity), many shippers neither require nor use this feature. With a complex, modern pipeline system and tariff, it would be unreasonable and impractical to require a pipeline to offer only those services that could be utilized by all shippers to the same extent. Accordingly, the Board is of the view that the proposed service enhancements are not unduly discriminatory.

The Board notes the trial nature of these credit mechanisms and expects that TransCanada, together with its shippers, will assess the merits of continuing or amending these new service enhancements in the longer term.

Appendix II

Toll Order TG-1-2006

ORDER TG-1-2006

IN THE MATTER OF the *National Energy Board Act* (Act) and the regulations made thereunder; and

IN THE MATTER OF an application filed by Coral Energy Canada Inc. (Coral) pursuant to Part IV of the Act for an Order to approve certain modifications to the FT-RAM Pilot for the TransCanada PipeLines Limited (TransCanada) Mainline

IN THE MATTER OF Hearing Order RHW-2-2005.

BEFORE the Board on 10 February 2006.

WHEREAS Coral filed an application dated 30 September 2005, pursuant to section 59 of the Act, for an Order to approve certain modifications to the FT-RAM Pilot for the TransCanada Mainline;

AND WHEREAS on 8 November 2005, the Board issued Hearing Order RHW-2-2005 establishing a written hearing process with oral argument;

AND WHEREAS the Board received and considered evidence from Coral, Enbridge Gas Distribution Inc. (Enbridge) and the Industrial Gas Users Association (IGUA), as well as a number of information requests and letters of comment from interested parties;

AND WHEREAS the Board also considered the written or oral arguments of Coral, TransCanada, Enbridge, IGUA, the Canadian Association of Petroleum Producers; Union Gas Limited; and Société en Commandite Gaz Métro;

AND WHEREAS the Board is satisfied that the modifications to the FT-RAM Pilot proposed by Coral may serve as a positive enhancement to the existing FT-RAM Pilot;

THEREFORE, IT IS ORDERED, pursuant to Part IV of the Act that:

1. Coral's application to modify the terms of the existing FT-RAM Pilot is approved.
2. The modifications to the FT-RAM Pilot, as approved by this Order, shall terminate the same date that the existing FT-RAM Pilot was scheduled to terminate, that being 31 October 2006.

3. TransCanada shall make all tariff changes necessary to implement the decision in the Board's RHW-2-2005 Reasons for Decision, and, at least 14 days prior to the implementation of the proposed modifications, file with the Board and serve on all TransCanada's shippers and members of its Toll and Tariff Task Force, revised tariff provisions conforming with the Board's RHW-2-2005 Reasons for Decision.
4. Unless the Board otherwise directs, this Order shall expire on 31 October 2006.

NATIONAL ENERGY BOARD

Michel L. Mantha
Secretary

